

UNIVERSITY STUDY OF EASTERN PIEDMONT
"AMEDEO AVOGADRO"

DEPARTMENT OF LAW AND POLITICAL SCIENCE,
ECONOMIC AND SOCIAL

DEGREE IN ECONOMICS, PUBLIC POLICY,
ENVIRONMENT AND CULTURE
LM-56

THESIS

**THE DIGITAL REVOLUTION
INDIVIDUAL, SOCIAL AND SPATIAL EFFECTS**

Supervisor:

Chiar.ma Prof.ssa Pera Rebecca

Correlator:

Chiar.mo Prof. Fraquelli Giovanni

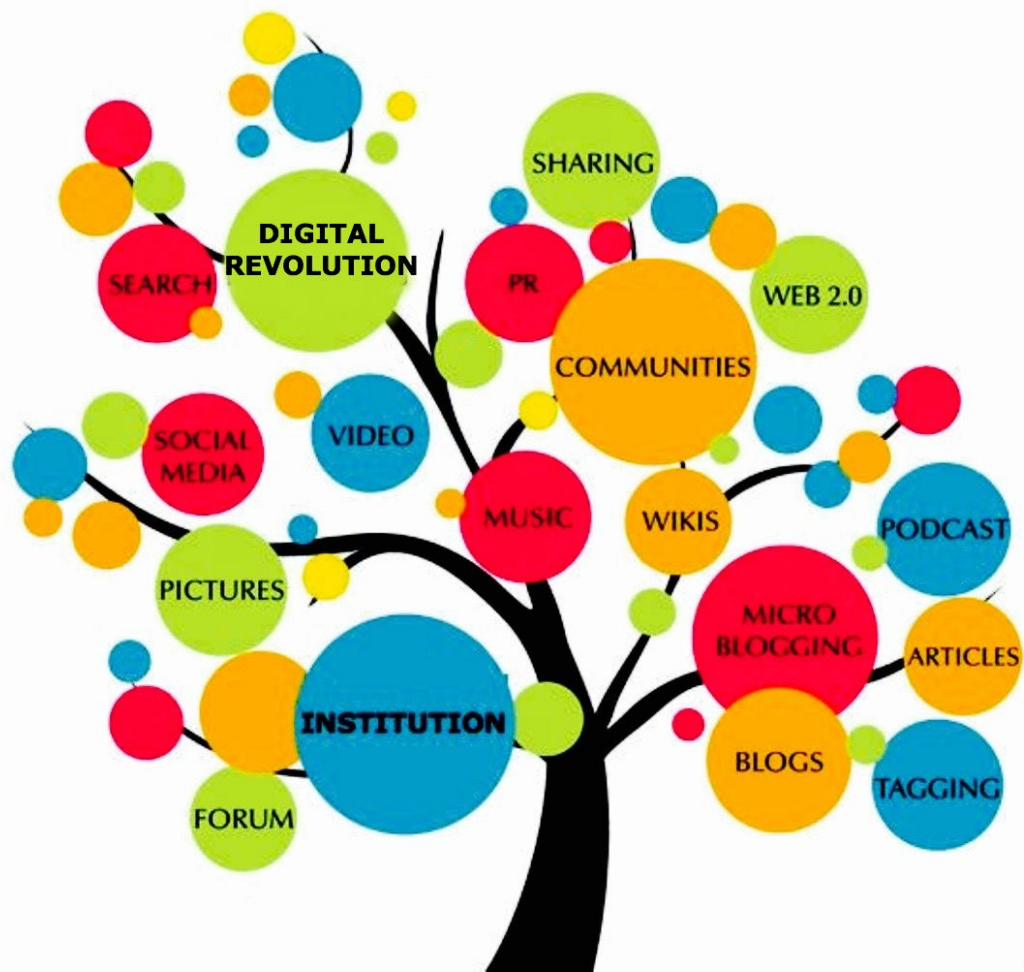
Candidate: Pier Luca Avramo

ACADEMIC YEAR 2015/2016

Preface

Firstly, I would like to thank my supervisors Hannu Laurila and Rebecca Pera for all their support and guidance during the writing of my thesis.

On a personal level, I would like to thank my Mum, Dad and relatives for their love and continual support throughout my life and for the financial and moral support to finish my education. I would like to thank my friends for their advice and encouragement to go on.



INDEX

1 Introduction	pag. 6
----------------	--------

- Welcome in a new world

CHAPTER I

History of the digital revolution

1.1	- Stages of development	pag. 9
-----	-------------------------	--------

- In the beginning...
- What does digital revolution mean?
- The effects of the digital revolution on the social and technical environment of people

CHAPTER II

The effects of the digital revolution on consumers and on the society

2.1	Cultural networked marketing phenomenon	pag. 19
-----	---	---------

2.2	Cultural perspective on consumer research	pag. 21
-----	---	---------

2.3	How in cities digital revolution changes the former patterns of social life - The “dark side”	pag. 23
2.4	How the digital revolution changes the city structures as traditional forms of trade	pag. 26

CHAPTER III

Comparative case studies in Finland and Italy

3.1	Comparison between Finland and Italy - The case of Reino & Aino (Finland) - Gergo’s case (Italy)	pag. 36
-----	--	---------

CHAPTER IV

Conclusion

4.1	The impact of Digital revolution on life	pag. 67
-----	--	---------

Bibliography		pag.75
---------------------	--	--------

Website		pag.76
----------------	--	--------

1 Introduction

My thesis aims to provide clarification on what a digital revolution is, through investigating current SME practices in digital adoption and outlining the evolutionary process of adopting a digital orientation by society, culture, environment and finally by the two case of study.

First, I will start to speak about the history of digital revolution and the effects that it has on the social and technological environment. Then, it investigates how digital revolution in cities changes the former patterns of social life and how digital changes the city structures as traditional forms of trade. To understand such process, I will analyze two SME (one in Finland because of my study experience and one in Italy) of same industry sectors, to highlight current digital practices in smaller firms. The analysis will be done through field interviews with the responsables of both enterprises. This will allow to propose a framework of Digital Marketing Orientation (DMO) that offers a new perspective for researchers and practitioners interested in the adoption and diffusion of digital technologies, as a way to enable organisation growth.

At the end of my analysis, in order to communicate the dynamic process, I will use the metaphor of learning to swim to describe the evolutionary process of progressing towards a digital orientation. The findings contribute to small business knowledge through the identification of five key stages of achieving a digital orientation; passive acceptance (treading water), connection (keeping afloat), immersion (learning to swim), fusion (developing different strokes), and transformation (becoming an amphibian).

- Welcome to a new world!!!!

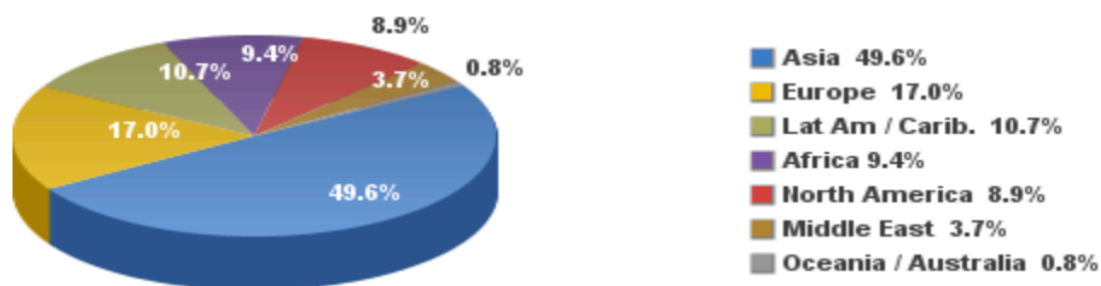
The twentieth century brought about a lot of changes, especially in the fields of industry, information technology and communication. As a result of these phenomena also our everyday life has changed radically. This way the people were more separated and the different nations were developing in very different ways. Through the appearance of the various communicational devices the distances were shorter and shorter, until that grade that nowadays we can hold an international conference with the participants being on distant locations of the world. Disabled people can work from their homes through internet. We don't need to go out even for shopping, because we can order the product and it comes to our home. Universities offer telecourses where people can receive not only the education but even a diploma, without ever setting foot in the building of the institution. The last 20 years brought about so many new things that most of the people don't even know about their existence.

For thousands of years, traveling migration, exchange of goods or of knowledge represented a form of globalization that has contributed to the progress of humanity. Digital content is regularly making inroads into the lives of European consumers.

It's constantly evolving technologies, and the way people are using them, are transforming not just how we access our information, but how we interact and communicate with one another on a global scale. It's also changing the way we choose and buy our products and services. People are taking digital technology to communicate in ways that would have been inconceivable just a few short years ago. From SMS updates on their favorite sports teams, to a free video call with relatives on the other side of the globe,

to collaborative online gaming and much more: ordinary people starting to use digital media without giving it a second thought. Around 40% of the world population has an internet connection today. In 1995, it was less than 1%.

Figure 1. Internet Users in the World by Regions: June 2016.



The number of internet users has increased tenfold from 1999 to 2013.

- **The first billion was reached in 2005;**
- **The second billion in 2010;**
- **The third billion in 2014;** (internetlivestats.com)

In the developed world internet access is becoming omnipresent, and the widespread opportunity of always on broadband connections means that people are now going online daily to do everything from checking their bank statement, to shopping for their groceries, to playing games. What makes this digital revolution so exciting is that it's happening right now. We're living through it, and we have a unique opportunity to jump in and be part of this historical transition.

To introduce the perceived value on SMEs competitive advantage, I will explore, through a literature review, the effects the digital revolution has had on society and on consumers in general, mentally and physically. From the historical perspective, I will analyze the effects of digital revolution on the social and technical environment of people. Finally, I have compared a Finnish case and an Italian case; thanks to my interview to the managers it is possible to see and understand how the digital revolution changed the traditional forms of marketing and public economics.

CHAPTER I

History of Digital Revolution

1.1. Stages of development.

In the beginning...

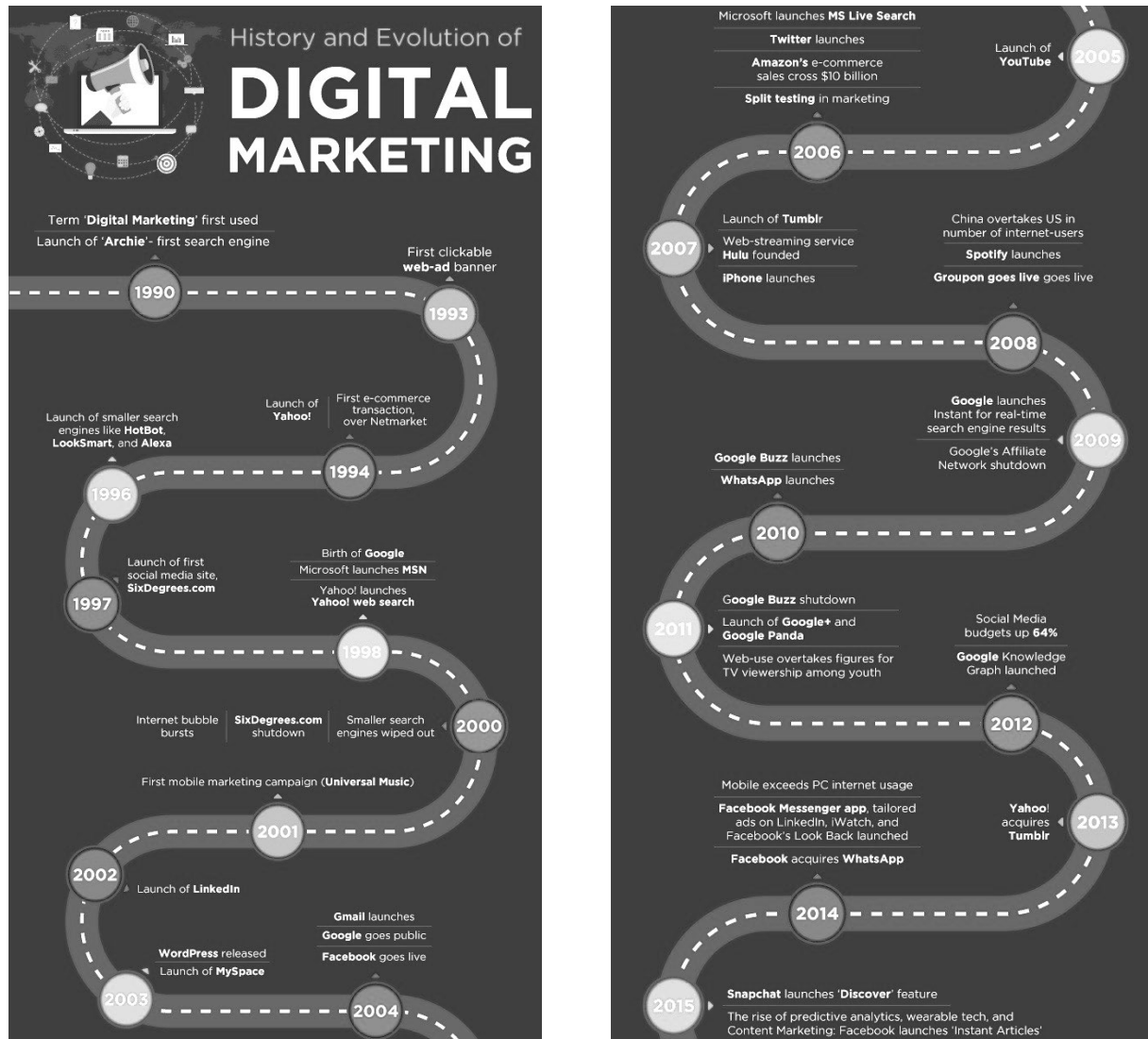
With the advent of Gutenberg's printing press in Europe in 1450, the ability to mass-communicate and sell gained such epic push that it's just slowed down in over 500 years. Magazines first emerged in the 1730s, radio advertising in 1922 and then in 1941, the world's first TV ad was broadcast on American screens in one of the most groundbreaking moments in marketing history. In 1965, a computer in Massachusetts connected with another in California via dial-up and in 1973 the first hand-held mobile phone call was made. But it wasn't until the early 1980s when the first commercially available desktop PCs started filtering into homes, that a lot of new marketing possibilities crashed into the scene with digital. That was around 34 years ago.

The term Digital Revolution was first used in the 1990s. The digital age took off with the coming of the internet and the development of the Web 1.0¹ platform. The Web 1.0 platform allowed users to find the information they wanted, but did not allow them to share this information over the web. Until then, marketers worldwide were still unsure of the digital platform. They were not sure if their strategies would work since the internet had

¹ Web 1.0 refers to the first stage in the World Wide Web, which was entirely made up of Web pages connected by hyperlinks. Although the exact definition of Web 1.0 is a source of debate, it is generally believed to refer to the Web when it was a set of static websites that were not yet providing interactive content. In Web 1.0, applications were also generally proprietary.

not yet seen widespread deployment. 1998 saw the birth of **Google**. (Peter L. Shillingsburg, 2006).

Figure 2. History and Evolution of Digital Marketing.



Then came Web 2.0², where people became more active participants rather than remain passive users. Web 2.0 allowed users to interact

² Web 2.0 is the term given to describe a second generation of the World Wide Web that is focused on the ability for people to collaborate and share information online. Web 2.0 basically refers to the transition from static HTML Web pages to a more dynamic Web that is more organized and is based on serving Web applications to users.

with other users and businesses. Labels like ‘super information highway’ began to be applied to the internet.

What does Digital Revolution mean?

The Digital Revolution refers to the advancement of technology from analog electronic to the digital technology available today. However, everything started during the 1980s and is ongoing. The Digital Revolution also marks the beginning of the Information Era. (techopedia.com)

The Digital Revolution is sometimes also called the Third Industrial Revolution.

The effects of Digital Revolution on the social and technical environment of people

Today, the internet has become an important part of our daily routines. Consumer behavior online has changed as well and online users have become all-powerful, due to large numbers and promiscuous (consumers visit a lot of websites, but purchase from just a few). Also, the new social consumer uses the internet to be connected and receive information. E-commerce took the attention of companies and in the past years many companies were present online and made investments on e-commerce. In the same time, advancements in information and communication technologies also enabled customers to use internet wherever and whenever they want. E-commerce easily got accepted by users because of latest developments on internet and internet enabled devices such as mobile phone, computers, and tablet computers.

Increasing representation of a wide variety of content in digital form results in easier and cheaper duplication and distribution of information. This has a mixed effect on the provision of content. On the one hand, content can be distributed at a lower unit cost. On the other hand, distribution of content outside of channels that respect intellectual property rights can reduce the incentives of creators and distributors to produce and make content available in the first place. Information technology raises a host of questions about intellectual property protection and new tools and regulations have to be developed in order to solve this problem.

Many issues also surround free speech and regulation of content on the Internet, and there continue to be calls for mechanisms to control objectionable content. However, it is very difficult to find a sensible solution. Dealing with indecent material involves understanding not only the views on such topics but also their evolution over time. Furthermore, the same technology that allows for content filtering with respect to decency can be used to filter political speech and to restrict access to political material. Thus, if censorship does not appear to be an option, a possible solution might be labeling. The idea is that consumers will be better informed in their decisions to avoid objectionable content.

The rapid increase in computing and communications power has raised considerable concern about privacy both in the public and private sector. Decreases in the cost of data storage and information processing make it likely that it will become practicable for both government and private data-mining enterprises to collect detailed dossiers on all citizens. Nobody knows who currently collects data about individuals, how this data is used and

shared or how this data might be misused. These concerns lower the consumers' trust in online institutions and communication and, thus, inhibit the development of electronic commerce. A technological approach to protecting privacy might be cryptography although it might be claimed that cryptography presents a serious barrier to criminal investigations.

It is popular wisdom that people today suffer information overload. A lot of the information available on the Internet is incomplete and even incorrect. People spend more and more of their time absorbing irrelevant information just because it is available and they think they should know about it. Therefore, it must be studied how people assign credibility to the information they collect in order to invent and develop new credibility systems to help consumers to manage the information overload.

Technological progress inevitably creates dependence on technology. Indeed, the creation of vital infrastructure ensures dependence on that infrastructure. As surely as the world is now dependent on its transport, telephone, and other infrastructures, it will be dependent on the emerging information infrastructure. Dependence on technology can bring risks. Failures in the technological infrastructure can cause the collapse of economic and social functionality. Blackouts of long-distance telephone service, credit data systems, electronic funds transfer systems, and other such vital communications and information processing services would undoubtedly cause widespread economic disruption. However, it is probably impossible to avoid technological dependence. Therefore, what must be considered is the exposure brought from dependence on technologies with a recognizable probability of failure, no workable substitute at hand, and high costs as a result of failure.

Now I'm going to explain, with some example, how it's changed the normal life of our relatives; I say our relatives because I'm 24 and I growth up with the new technological era.

Business, nowadays besides asking that where can we find a certain company in the city, we almost always ask also that where can we find it online. In this age a business can not be considered serious if it is not present also on internet, at least having an email address, but better to have website with lots of services available to the visitors. The importance of computer industry in business is clearly shown by that one of the richest people in the world is Bill Gates, who made it through developing computer software.

Religion, during the medieval times the Catholic Church officially persecuted, prosecuted and sometimes executed those who were dealing with anything which would bring scientific advancement that refute traditional beliefs, like that the world was flat and if we went too far we could fall into the eternal fire at the end of it. Since then not only them but most of the major religions became also technical, having their websites, and different online services: blogs, forums, stores, study materials, worships, etc. Religious services are available also through mobiles. So the technical things are not any more considered as the tools of the evil, furthermore in the 21st century even the Pope himself "goes digital".

Advertisement, older times in the marketplace those could be more successful who could shout louder, they could reach out only those who could hear them. Then the appearance of leaflets, newspapers and TV added some more ways, but through the internet the advertiser can reach far more people than in any way ever before. First of all, a website is needed which

can also show up in web portals, then they can send newsletters in email (referring also there to the site) and they can sign up to some online advertising programs. The cheap possibility of email advertising gave rise to a very aggressive form, which is called spamming. To explain the meaning of it in a simplified way to non-technical people, it is like if someone tries to put a leaflet – which content is possibly undesired by the recipient – in everyone's mailbox in the whole world; and it might fall out from many, and the sender might not find every single mailbox, but still it can reach millions of homes, causing either inspiration or anger. Since in most cases it results in the latter, moreover it can cause losing working time when sorting it out (and time is money), in many states it is considered as an illegal activity that can result in severe monetary penalty.

Social networking, the modern versions of the “old-school” clubs are social networking sites. In general, these services don't require membership fee, because the provider has enough income from the advertisements shown to the users. These services became extremely popular in the recent years and it is hard to find people – among those who use internet services – who didn't subscribe to any of them. This subscription can be even without the conscientious thought of the person; from one side because of the aggressive characteristics of these sites (when someone signs up, it asks for his or her e-mail access to send automatic invitation to every contact who is not yet registered there), from the other side because of the carelessness of certain individuals, who just simply click on the sign up button in every e-mail which arrives in the mailbox. Facebook has more than 500 million active users (active means that they signed in at least once within the last 30 days) is quite terrifying. It means that nearly 10% of the population of the Earth uses their service.

CHAPTER II

The effects of the digital revolution on consumers and on the society

Consumers are important for organizations as their all efforts are directed toward the satisfaction of needs of their target consumers. Study of consumer behavior help enterprise to improve their marketing strategy. Digital revolution has provided new and fresh ideas to its users that are so common to use presently. Technology has given a big impact on consumer behavior and as well as on marketing and also it changed the ways to market the product to the target audience and consumers, more emphasis on market side is on how to execute and implement the marketing strategy.

Modern technologies are time saving and require less efforts by humans as well as it simplifies information access and bring people from different places together. Consumer behavior in the contemporary world is more neutral toward technology. However, there is no single agreement on what is high technology means, actual business practices and competitive strategy theories recognize explicitly that there are important attributes such as rapidly changing life cycles, intensity of information and turbulence that distinguish high technology from the traditional market in psychological factors (Hirunyawipada & Paswan, 2006), most important one is motivation of customers as behavior comes from motivation. So the aim of promotional and advertising activities is to satisfy the customer demands and motivate them to buy the products or services even for those which consumers do not need actually. Just now, internet provides more innovative, quick and fast way to implement promotion strategy. What it means? Digital revolution has given emergence to relationship marketing (focus on customer), industrial or

business marketing (organizational focus) and social marketing (focus on benefits to society) and most importantly to internet marketing.

However, I will summarize the major key points on how it has changed consumer behavior.

Seven key changes in consumer behaviour

- 1. Customers no longer compare companies only with competitors:** your customers compare your performance with their insurance company, their supermarket, their holiday company. If one company exceeds the customer's benchmark of "what good looks like", they will expect the same from you.
- 2. Customers are less tolerant:** customers have become faster to complain and harder to satisfy, as evidenced by increasing complaint levels and customer satisfaction dropping across the board.
- 3. Customer-to-customer dialogue has grown:** social media and customer forums have huge potential both to build and to destroy brands. Customers are led by the opinions of their "friends" or "followers", corroborated by 'likes' and testimonials. The reputation of the company is shaken or strengthened accordingly.
- 4. Customers are less loyal:** customers will no longer accept perceived overpricing or poor standards of customer service, and are open to switching provider. They want value for money, not just cheap goods and services.

5. **Customers no longer accept branding and marketing from organisations:** there's widespread distrust of mainstream information channels, plus strong legislation against direct marketing and a growing technical ability to screen out advertising messages.
6. **Customers are more informed:** digital technology has given consumers enhanced knowledge of products and services. The company does not have the monopoly on product knowledge: information and opinions on which to base decisions are a click away.
7. **All customers are becoming multichannel users:** customers – not businesses) decide which communication methods will be most used. If the channel proposed by businesses is suitable for the type of interaction, then it will succeed; otherwise, it will fail.

(mediavisioninteractive.com)

2.1 Cultural networked marketing phenomenon.

Today's marketplace is an increasingly complex system, yet its pervasive presence in our everyday life is considered to be ever more significant. Marketing has a central role in the mechanics of consumption as a generator of meaning (McCracken 2005). A product is made interesting and alluring to consumers not only because of its functional assets or because it satisfies a need. The cultural and social meanings associated with products and enabled by their use are very important in explaining the mechanics of the marketplace. In today's postmodern Western society, culture is created generally through the market (Moisander & Valtonen 2006, 9).

The role of consumers themselves as active producers has become acknowledged (e.g. Cova & Dallı 2009). It can be argued that besides marketers and consumers, there are also other participants, which is why it is considered relevant to extend the perspective toward a network. The cultural repertoires of meaning that encircle a product originate from various sources and there are multiple participants or actors in their production. The influence of value chain members such as retailers and wholesalers has been acknowledged in marketing theory; there is still a need to understand the crucial role of other parties, such as consumers' personal social networks and the communities they belong in, the media and reporters, other institutions of society at both individual and group level. So, it is possible to say that the strategies of action taking place within this network are what actually creates meaning and therefore makes consumers buy the product (cf. Gummesson 2008c). However, the marketing of consumer products can also be perceived from the network perspective. In fact, the need to be able to connect with

consumers on various levels requires a company to broaden its view of consumption and marketing. Since consumers live in a world saturated with signs and symbols, the ability of companies to actually form relationships with their customers is ever more difficult, and the power of the network is needed.

Concentrating on consumption objects as resources for consumers' meaning-making shifts attention from rationalistic decision making or resource optimizing towards cultural bricolage. Moreover, the richer and more relevant meanings that the network together is able to produce, the more attractive the core product and participation in the phenomenon will become.

2.2 Cultural perspective on consumer research.

Cultural approaches appeared the marketing discipline in the 1980s and have since brought insights from sociology, anthropology and cultural studies, focusing on the sociocultural meanings related to consumption³. The main difference of the cultural paradigm or consumer culture theory (CCT, Arnould & Thompson 2005) when compared to other paradigms in consumer research is how it conceptualizes consumers and consumption.

- Cultural perspective: consumers are not merely rational decision makers or resource optimizers.

³ For the sake of clarity, I have decided to use the academic brand of Consumer Culture Theory (CCT) coined by Arnould & Thompson (2005). Therefore, I refer to the cultural paradigm/approach here, even though there are differences within it. The different alternative orientations have also been called interpretive, naturalistic, postpositivistic, humanistic, and postmodern. Even more terms exist to depict the different epistemological and methodological approaches, some of which are introduced later in this thesis.

- Cultural paradigm: emphasizes the need to understand the dynamic interfaces between consumers, markets and cultural meanings (Arnould & Thompson 2005).

Consumption has become an integral part of our everyday lives, and a medium through which we build our identities, engage in experiences and interact with others. By that consumers, companies and other parties can be argued to participate not only in commercial exchange, but in a process of meaning-making (Moisander & Valtonen 2006,8).

In order to simplify the central concepts within the cultural paradigm, Table 1 provides to explain the definition of the core of this thesis.

Consumer	An active producer and consumer of cultural meaning and a participating actor in the marketplace and within their life context (Firat & Venkatesh 1995).
Culture	A complex system of meanings that organizes everyday life. It is “produced, transformed and contested in social interaction” (Moisander & Valtonen 2006, 8). Culture is a toolkit of repertoires (Swidler 1986, 2001), on which people draw in order to think, talk and act meaningfully in their everyday life.
Cultural repertoire	A cultural repertoire is a combination of symbols, stories, rituals and worldviews that shape action (Swidler 1986, 277).
Marketing	A central function of cultural activity in today's society. It is a shared practice of consumers, marketers, and other marketplace actors (cf. Firat & Dholakia 2006).
Marketplace	A central context of meaning-making, where multiple parties engage in strategies of action (cf. Badot & Cova 2008).
Network	Formed of all the actors that participate in meaning-making within a certain context in the marketplace, including consumers, marketers, the media, organizations and collectivities (Gummesson 2008c).
Balanced centricity	An approach to understanding marketing from the network perspective (cf. customer centricity) (Gummesson 2008a).
Actors	The participants (individuals and collectivities) within the network of a particular marketing phenomenon.

Table 1 (internal material)

Since the 1980s, alternative perspectives have emerged to the traditional marketing management school or behavioral decision theory. Cultural consumer research has been extended to include consumers within the context of their everyday lives rather than just as buyers.

The core issues studied within the paradigm in terms of empirical research are presented in Table 2.

	Consumer's identity	Consumption rituals	Consumer communities	Consumption experiences
Core authors & studies	Solomon 1983, Belk 1988, Mick & Buhl 1992, Thompson & Hirschman 1995, Thompson & Haytko 1997, Holt & Thompson 2004	Rook 1985, Schouten 1991, Wallendorf & Arnould 1991	Schouten & McAlexander 1995, Muñiz & O'Guinn 2001, Kozinets 2001, Kozinets et al. 2008, Cova & Cova 2002, Bagozzi & Dholakia 2002, Schau, Muñiz & Arnould 2009	Holbrook & Hirschman 1982, Celsi, Rose & Leigh 1993, Arnould & Price 1993, Belk & Costa 1998, Holt 1995, Carù & Cova 2006
Theoretical concepts	The extended self Identity project Life themes Social roles	Rites of passage Role transitions Self-concept rituals Enacting of cultural values	Subculture Brand Tribe Communitas Sharing	The service encounter Consumer fantasy Extreme experiences Hedonic consumption Play
Main understandings related to this study	Consumers are active constructors of the self.	Consumption rituals can be used to build a coherent sense of self and the surrounding world.	Consumers seek for social contact with one another through consumption.	Consumers look for possibilities to engage in extraordinary experiences to overcome the banality of the everyday.
	A sense of self is socially and culturally constituted.	Rituals work in meaning transfer.	Consumption communities may be commercial in nature and they are not geographically bound.	Consumption experiences offer possibilities to enact myths and stories.
	Cultural material can be used as resources to build identities.	Consumption is a central way to enact modern rituals.	Consumers may be the members of several transient consumption tribes.	Consumption experiences include elements of play.

Table 2 (internal material)

The table is not intended as a comprehensive illustration of the subject matter, contexts and issues of interest. Instead, the aim is to provide a compact cross-section of relevant themes and understandings gained from the cultural paradigm in building the pre-understanding for this study (cf. Arnold & Fischer 1994, 56–57). The table clarified the most important authors and concepts related to this study.

2.3 How in cities digital revolution changes the former patterns of social life

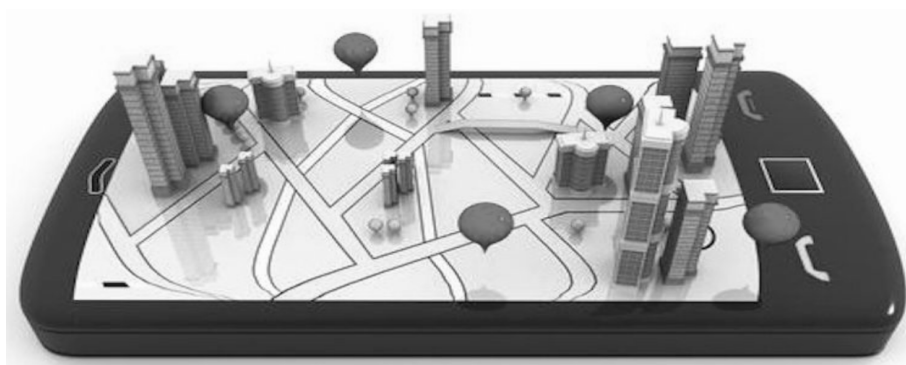
Smart cities around the globe have many differences but importantly they share a few common traits. These cities invest in infrastructure and people in ways that lead to a more connected, better-informed and more-efficient environment. The dynamic use of knowledge to improve both the utilization of scarce resources and a higher quality of life for its citizens is the hallmark of a smart city.

Since the first Industrial Revolutions fueled the explosion in urban population growth, municipal governments have looked for ways to efficiently run services for densely located networks of people. The challenges of urban life have historically produced results that are less than adequate. But as sensors become more affordable and more ubiquitous, city officials have access to systems that their predecessors could never have imagined. Today, sensors are being used to monitor and dynamically adjust important public services, from parking availability to public transportation to snow removal to security.

First, physical objects facilitate access to digital information. Second, physical objects are embedded with digital sensors to capture and

transmit relevant information. And finally, physical objects receive digital prompts and cues which then alter the state of the physical object. This final stage will result in a seamless physical-digital sphere that holds tremendous promise in the building of smart cities. As a society, we're barely in the middle of phase one — most of our physical objects are not yet connected, though connection alone is not enough. Cities must also have the infrastructure for efficient data transactions: How information flows from Point A to Point B. Indeed, all city services are based on a calculation of where to expend precious resources. The more data available for these calculations, the more sophisticated and tailored they become. An example, driverless cars alone won't solve a city's traffic problems — but driverless cars that signal street sensors will give city officials the appropriate data to improve traffic patterns. This will require city governments to work in tandem with private companies, whether they manufacture cars or operate garbage dumps. The challenges facing cities on the path to being “smart” are large and varied. It will require a new way of thinking — akin to mastering a new language. Nevertheless, modern cities everywhere are moving in one inexorable direction: Toward a future where city governance and urban living will be as connected as the functions on your smartphone. (recode.net)

Figure 3. Example of smart cities



The “dark side”

The revolution in communication didn't bring only good things for us, but it also opened new ways for the “bad guys” to attack, steal, smuggle, etc. Using internet banking can be very comfortable, because we don't need to go out from home, looking for a parking place around the bank, waiting for the other customers to finish; we can check our balance or even send money right away from our computer. Even though the banks are trying their best to protect us through using secure pages, elaborate passwords, secure keyboard against keyloggers, nothing is 100% safe.

2.4 How the digital revolution changes the city structures as traditional form of trade.

One important way in which information technology is affecting work is by reducing the importance of distance. In many industries, the geographic distribution of work is changing significantly. For instance, some software firms have found that they can overcome the tight local market for software engineers by sending projects to India or other nations where the wages are much lower. Furthermore, such arrangements can take advantage of the time differences so that critical projects can be worked on nearly around the clock. Firms can outsource their manufacturing to other nations and rely on telecommunications to keep marketing, R&D, and distribution teams in close contact with the manufacturing groups. Thus the technology can enable a finer division of labour among countries, which in turn affects the relative demand for various skills in each nation. The technology enables various types of work and employment to be decoupled from one another. Firms have greater freedom to locate their economic activities, creating

greater competition among regions in infrastructure, labour, capital, and other resource markets. It also opens the door for regulatory arbitrage: firms can increasingly choose which tax authority and other regulations apply.

Computers and communication technologies also promote more market-like forms of production and distribution. An infrastructure of computing and communication technology, providing 24-hour access at low cost to almost any kind of price and product information desired by buyers, will reduce the informational barriers to efficient market operation. This infrastructure might also provide the means for effecting real-time transactions and make intermediaries such as sales clerks, stock brokers and travel agents, whose function is to provide an essential information link between buyers and sellers, redundant. Removal of intermediaries would reduce the costs in the production and distribution value chain. The information technologies have facilitated the evolution of enhanced mail order retailing, in which goods can be ordered quickly by using telephones or computer networks and then dispatched by suppliers through integrated transport companies that rely extensively on computers and communication technologies to control their operations. Nonphysical goods, such as software, can be shipped electronically, eliminating the entire transport channel. Payments can be done in new ways.

The result is disintermediation throughout the distribution channel, with cost reduction, lower end-consumer prices, and higher profit margins. The impact of information technology on the firms' cost structure can be best illustrated on the electronic commerce example. The key areas of cost reduction when carrying out a sale via electronic commerce rather than in a traditional store involve physical establishment, order placement and

execution, customer support, staffing, inventory carrying, and distribution. Although setting up and maintaining an e-commerce web site might be expensive, it is certainly less expensive to maintain such a storefront than a physical one because it is always open, can be accessed by millions around the globe, and has few variable costs, so that it can scale up to meet the demand.

By maintaining one 'store' instead of several, duplicate inventory costs are eliminated. In addition, e-commerce is very effective at reducing the costs of attracting new customers, because advertising is typically cheaper than for other media and more targeted. Moreover, the electronic interface allows e-commerce merchants to check that an order is internally consistent and that the order, receipt, and invoice match. Through e-commerce, firms are able to move much of their customer support on line so that customers can access databases or manuals directly. This significantly cuts costs while generally improving the quality of service. E-commerce shops require far fewer, but high-skilled, employees. E-commerce also permits savings in inventory carrying costs. The faster the input can be ordered and delivered, the less the need for a large inventory. The impact on costs associated with decreased inventories is most pronounced in industries where the product has a limited shelf life (e.g. bananas), is subject to fast technological obsolescence or price declines (e.g. computers), or where there is a rapid flow of new products (e.g. books, music).

Although shipping costs can increase the cost of many products purchased via electronic commerce and add substantially to the final price, distribution costs are significantly reduced for digital products such as finan-

cial services, software, and travel, which are important e-commerce segments. Although electronic commerce causes the disintermediation of some intermediaries, it creates greater dependency on others and also some entirely new intermediary functions. Among the intermediary services that could add costs to e-commerce transactions are advertising, secure online payment, and delivery. The relative ease of becoming an e-commerce merchant and setting up stores results in such a huge number of offerings that consumers can easily be overwhelmed. This increases the importance of using advertising to establish a brand name and thus generate consumer familiarity and trust. For new e-commerce start-ups, this process can be expensive and represents a significant transaction cost.

The openness, global reach, and lack of physical clues that are inherent characteristics of e-commerce also make it vulnerable to fraud and thus increase certain costs for e-commerce merchants as compared to traditional stores. New techniques are being developed to protect the use of credit cards in e-commerce transactions, but the need for greater security and user verification leads to increased costs. A key feature of e-commerce is the convenience of having purchases delivered directly. In the case of tangibles, such as books, this incurs delivery costs, which cause prices to rise in most cases, thereby negating many of the savings associated with e-commerce and substantially adding to transaction costs.

With the Internet, e-commerce is rapidly expanding into a fast-moving, open global market with an ever-increasing number of participants. The open and global nature of e-commerce is likely to increase market size and change market structure, both in terms of the number and size of players and the way in which players compete on international markets. Digitized

products can cross the border in real time, consumers can shop 24 hours a day, seven days a week, and firms are increasingly faced with international online competition. The Internet is helping to enlarge existing markets by cutting through many of the distribution and marketing barriers that can prevent firms from gaining access to foreign markets. E-commerce lowers information and transaction costs for operating on overseas markets and provides a cheap and efficient way to strengthen customer-supplier relations. It also encourages companies to develop innovative ways of advertising, delivering and supporting their product and services. While e-commerce on the Internet offers the potential for global markets, certain factors, such as language, transport costs, local reputation, as well as differences in the cost and ease of access to networks, attenuate this potential to a greater or lesser extent.

Computers and communication technologies allow individuals to communicate with one another in ways complementary to traditional face-to-face, telephonic, and written modes. They enable collaborative work involving distributed communities of actors who seldom, if ever, meet physically. These technologies utilize communication infrastructures that are both global and always up, thus enabling 24-hour activity and asynchronous as well as synchronous interactions among individuals, groups, and organizations. Social interaction in organizations will be affected by use of computers and communication technologies. Peer-to-peer relations across department lines will be enhanced through sharing of information and coordination of activities. Interaction between superiors and subordinates will become more tense because of social control issues raised by the use of computerized mon-

itoring systems, but on the other hand, the use of e-mail will lower the barriers to communications across different status levels, resulting in more uninhibited communications between supervisor and subordinates.

That the importance of distance will be reduced by computers and communication technology also favours telecommuting, and thus, has implications for the residence patterns of the citizens. As workers find that they can do most of their work at home rather than in a centralized workplace, the demand for homes in climatically and physically attractive regions would increase. The consequences of such a shift in employment from the suburbs to more remote areas would be profound. Property values would rise in the favoured destinations and fall in the suburbs. Rural, historical, or charming aspects of life and the environment in the newly attractive areas would be threatened. Since most telecommuters would be among the better educated and higher paid, the demand in these areas for high-income and high-status services like gourmet restaurants and clothing boutiques would increase. Also would there be an expansion of services of all types, creating and expanding job opportunities for the local population.

By reducing the fixed cost of employment, widespread telecommuting should make it easier for individuals to work on flexible schedules, to work part time, to share jobs, or to hold two or more jobs simultaneously. Since changing employers would not necessarily require changing one's place of residence, telecommuting should increase job mobility and speed career advancement. This increased flexibility might also reduce job stress and increase job satisfaction. Since job stress is a major factor governing health there may be additional benefits in the form of reduced health costs

and mortality rates. On the other hand, one might also argue that technologies, by expanding the number of different tasks that are expected of workers and the array of skills needed to perform these tasks, might speed up work and increase the level of stress and time pressure on workers.

A question that is more difficult to be answered is about the impacts that computers and communications might have on employment. The ability of computers and communications to perform routine tasks such as bookkeeping more rapidly than humans leads to concern that people will be replaced by computers and communications. The response to this argument is that even if computers and communications lead to the elimination of some workers, other jobs will be created, particularly for computer professionals, and that growth in output will increase overall employment. It is more likely that computers and communications will lead to changes in the types of workers needed for different occupations rather than to changes in total employment.

A number of industries are affected by electronic commerce. The distribution sector is directly affected, as e-commerce is a way of supplying and delivering goods and services. Other industries, indirectly affected, are those related to information and communication technology (the infrastructure that enables e-commerce), content-related industries (entertainment, software), transactions-related industries (financial sector, advertising, travel, transport). E-commerce might also create new markets or extend market reach beyond traditional borders. Enlarging the market will have a positive effect on jobs. Another important issue relates to interlinkages among activities affected by e-commerce. Expenditure for e-commerce-related intermediate goods and services will create jobs indirectly, on the basis of the

volume of electronic transactions and their effect on prices, costs and productivity. The convergence of media, telecommunication and computing technologies is creating a new integrated supply chain for the production and delivery of multimedia and information content. Most of the employment related to e-commerce involves around the content industries and communication infrastructure such as the Internet.

Jobs are both created and destroyed by technology, trade, and organizational change. These processes also underlie changes in the skill composition of employment. Beyond the net employment gains or losses brought about by these factors, it is apparent that workers with different skill levels will be affected differently. E-commerce is certainly driving the demand for IT professionals but it also requires IT expertise to be coupled with strong business application skills, thereby generating demand for a flexible, multi-skilled work force. There is a growing need for increased integration of Internet front-end applications with enterprise operations, applications and back-end databases. Many of the IT skill requirements needed for Internet support can be met by low-paid IT workers who can deal with the organizational services needed for basic web page programming. However, wide area networks, competitive web sites, and complex network applications require much more skill than a platform-specific IT job. Since the skills required for e-commerce are rare and in high demand, e-commerce might accelerate the upskilling trend in many countries by requiring high-skilled computer scientists to replace low-skilled information clerks, cashiers and market salespersons.

(globalization101.org)

(voxeu.org)

CHAPTER III

Comparative case studies in Finland and Italy

To examine the nature of digital revolution's impact on SMEs activities processes, a case study design was decided upon as it enables theoretical insight on the "how" and "why" questions about a contemporary set of events over which the investigator has scant control (Yin, 2013). The fieldwork in Finland and Italy took place over a six-month period.

To aid construct validity, the study gathered multiple sources of evidence to allow data triangulation. The study harnessed multiple main sources of Evidence, in specific a desk analysis was carried out investigating the digital tools the companies adopted and in-depth interviews were administered with top managers of the companies. The key research questions (why the organization adopted digital tools; how this was done;) were operationalized for the interviews, and then singularly adapted, depending on the company I interviewed.

Although it is recognised that small and medium sized firms (SMEs)⁴ form a critical element of the European economy (European Commission, 2015) there is limited knowledge of the digitisation of smaller firms as most literature on digital adoption relates to larger firms. Digital technologies and their adoption have been heralded as potentially providing SMEs with new opportunities (Ashurst et al., 2012), evening out the competitive

⁴ SMEs, also small and medium enterprises are businesses whose personnel numbers fall below certain limits. The abbreviation "SME" is used in the European Union and by international organizations such as the World Bank, the United Nations and the World Trade Organization (WTO). Small enterprises outnumber large companies by a wide margin and also employ many more people. SMEs are also said to be responsible for driving innovation and competition in many economic sectors.

playing field between larger firms and SMES and transforming business functions (Peltier et al., 2012).

Mainly in the B2B context, the network theory has been applied. In this context, the interest has not been previously directed to cultural and social meanings of products or consumption, as the consumption is not in the focus.

Firstly, network theory has been applied in marketing mainly in the B2B⁵ context, where consumption is not in the focus. Therefore, the interest has not previously been directed to the cultural and social meanings of products or consumption. However, since it can be argued that network theory can also be applied to consumer marketing, the cultural perspective is warranted. The network perspective applied in this thesis thus widens the scope of traditional interpretive consumer research. Perceiving consumers as marketplace actors who are participants in a network, interacting not only with the company but also with other parties, extends the understanding of marketplace dynamics (Gummesson & Polese 2009).

This is important, because from the position adopted here, marketing should be considered in a comprehensive manner rather than just as a separate business function.

⁵ B2B. A transaction that occurs between a company and another company, as opposed to a transaction involving a consumer. The term may also describe a company that provides goods or services for another company.

3.1 Comparison between Finland and Italy.

- The case of Reino & Aino (Finland)



Figure 4. Reino & Aino slipper

The history of Reino & Aino

The Reino & Aino slippers have a long history in Finland. Before the current entrepreneurs bought the production and brand names of the so called “home shoes” in 2004 and named the new company Suomen Kumi-tehdas (Finland’s Rubberfabric), the business belonged to the same parent company as Nokia once did. The production of rubber soled slippers was started already in 1932 in Finland. In the 1980’s, the production of the slippers was outsourced to Eastern Europe. However, the current owners of the brand made a strategic decision in 2005 to bring the production back to Finland. Currently, the company headquarters are situated in the city of Tampere, where the company’s own retail store was founded in the autumn of 2009. The company is owned by two of the former employees of the parent company, Arto Huhtinen and Tuire Erkkilä, who share a personal dedication to developing the business further. Before 2004, Reino & Aino were a familiar product to Finnish people, but most of them mainly knew it as an old people’s home shoe. The product was primarily sold for the elderly or as a popular present for Christmas, Mother’s day or Father’s day. Thus, it was a low involvement product of stable and predictable sales figures and even though it was familiar to many people, the user base was restricted and deteriorating. The new owners wanted to develop the product and started to think about possible options. The company did not have a large marketing budget, and changing the associations of old age was bound to be challenging.

However, a couple of years later the Reino & Aino had become a phenomenon. School children had started to wear the slippers in school and sports’ practice, young adults were wearing them in pubs and rock festivals,

Reino & Aino themed events were organized by consumers themselves and famous people were telling reporters about their Reinos. The Reino & Aino slippers started to appear in the advertisements of other organizations, both in the private and public sector, sometimes with permission from Suomen Kumitehdas, sometimes without. Not only were consumers enthusiastic about the product's re-awakening: the media was paying increasing attention to the phenomenon and therefore giving the product free publicity. The sales figures have increased rapidly; the revenue was in 2008 over ten times the figure in 2005, 5 million Euros. In 2009, about 400.000 pairs of slippers were produced partly as handwork in the factories at Lieksa and Pälkäne, with the intention of increasing the amount to half a million pairs in 2010. The entrepreneurs began to understand the impact of their enthusiastic attitude and belief in the product in partly explaining the phenomenon. The inventive personality of Huhtinen enabled unusual marketing ideas such as asking a reporter, Mikko Närhi, to collect consumers' stories about Reino & Aino into a book, and taking the Reino & Aino to youth festivals in the summer of 2007, which helped in getting younger consumers interested in it.

What characterized the company's role in the phenomenon were the lack of planned brand management and the reluctance of the entrepreneurs to do traditional marketing. However, there were some preconditions that influenced everything that followed. The entrepreneurs themselves strongly see the decision to bring the production back to Finland as influential in gaining them free and positive media coverage, which helped them in their marketing. Being entrepreneurs of a small company, the personal networks of the entrepreneurs have also been influential in taking the Reino & Aino phenomenon forwards. The entrepreneurs have also been referred to as parents of Reino & Aino (Närhi 2007, 25), paying even more attention on

their role as gentle caretakers, who have not taken an aggressive management approach. They have helped the phenomenon grow by making the necessary decisions, allowing it freedom and providing resources as needed.

The role of Mikko Närhi has become relevant; a former journalist and a media consultant, he has become a kind of spin-doctor for Reino & Aino, working actively beside the entrepreneurs in marketing as well as connecting with all kinds of network actors. Närhi first came in contact with Reino & Aino through the book project, in which he collected stories from consumers and commentaries from influential people regarding Reinos and their use. In this book, Närhi constructs a literary image of the slippers as a central Finnish icon, something that unites generations. In writing the book, Närhi travelled across Finland to become familiar with all the people who were using Reinos. Närhi's influence in mobilizing the network during and after the writing of the book has been significant. For example, he influenced making the Reino & Aino running contest become reality, because at the time he was writing the book, the people of Pyterlahti community told him about their idea and he encouraged them. Later Närhi has acted as a company missionary, taking Reinos as gifts to athletes and musicians, for instance. Even though Närhi's role in marketing of Reino & Aino has been influential, he has positioned himself as a reporter and writer, not commercially interested in promoting the product.

However, the main question of this chapter is **how digital revolution have a big effect on Reino & Aino and Gergo's company?**

To answer this question, it is really important understand these three main point:

1. What factors drive and/or support digitalisation in SMEs?
2. Is there evidence of development towards a digital marketing orientation?
3. What are the key constituents of a digital marketing orientation?

The literature suggests to analyze the different aspects that are summerise in the next table.

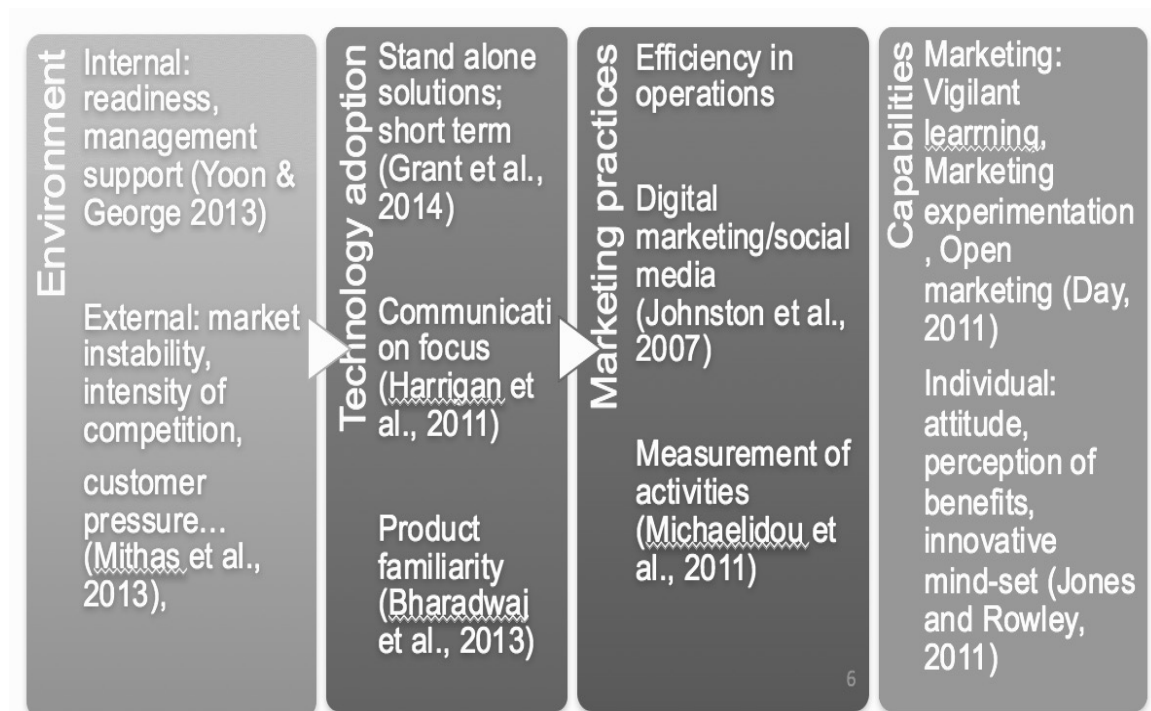
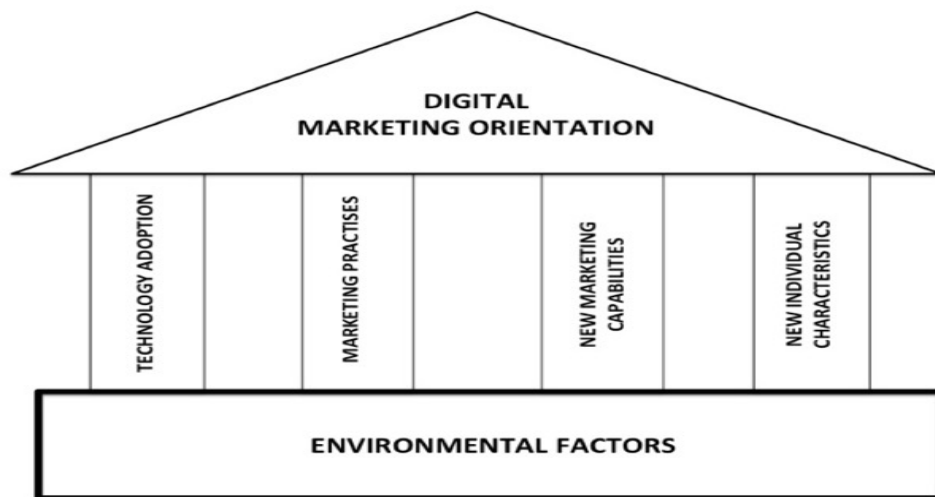


Table 3 Research Pillars on Digital Marketing

The four key elements that are the main points on the previous table are the most important components to builds the next scheme that it calls **DMO: Digital Marketing Orientation**.

The digital orientation offers a new perspective for researchers interested in the adoption and diffusion of digital technologies, as a way to enable organisation growth.

Figure 6. Digital Marketing Orientation in SMEs (Pera et al., under revision).



Primarily (before the interview with the Managers of the companies) I decided to analyze the web pages of both enterprises (Reino & Aino and Gergo) to understand the differences in their digitalisation. The creation of a functional and effective website is fundamental to establish its presence on the Net and achieve their goals. The creation of an online community has conditioned the digital marketing choices and the relative presence on the Net in recent years. People feel the need to communicate, to be able to establish a dialogue with the company and with the brands they love. Open a community looks like, and probably is, a simple task in the implementation phase; the problem is knowing how to manage it. The first step to take in consideration to build the World Wide Web is the Information Architecture. The author Louise Rosenfeld (Perretti 2011, 98) underlines that it is same

when you have to construct a building. The most important part it is the base-ment and here for a World Wide Web the Information Architecture it is the key point for the future success. It happened to users that they tried to visit the web page and they would like to buy, observe or just register on it, but it doesn't work. If that happens it is just because of the Information Architecture.

Going on speaking about Information Architecture we can see that it is possible to organize in different ways the structure of a web page:

- By category (it is possible to use this principle when all the visitors have the same objective);
- By task (this option give to the users the possibility to find some objectives that are not correlated);
- By users (when different groups of people have to dialogue and they have objective and need completely different);
- By language or geographic location (in this situation should be divided the informations by geographic location and give to a country the possibility to utilize the own language and provide the informations that will not easy to find);
- By date or order (this is a structure especially used from blog or weblog where the information is filtered by date or order);
- By corporate department (this structure is just for internet companies; are web pages that only employees can use it).

Reino & Aino

Figure 7. Reino's & Aino's home page.



The previous picture show how is the main page of the company; firstly, it is possible to see that it is well linked to the two main social (Facebook and YouTube). They want to underline what they are selling: SLIPPERS. Not common slippers but the traditional finnish product. As the theoretical part says, it is possible to understand that this web page has a geographical structure. In the beginning I can already see, as the CEO told me (they don't have an internal person that work on the web page) that it is possible to understand that the web page is user friendly in comparison to other online pages, but it can be a good point or a weakness.

Also if they adopted the digital some years ago, it is clear that they have to work on it. The page it is too direct on consumer and in few minutes it is possible to know the price of the slippers and buy the product. It can be a good strategy but tipical consumer likes to interact with the web page and try to discover what he is searching.

The target was just for finnish people but with the introduction of digitalization in the last five years they opened their market orientation. In the first approach it can be possible to think that it is an old style of slippers (just for Nordic countries and old people), but thanks to the personalization also kids can wear it now.

Finally, I can affirm (as Linda said to me) that the community in Finland it is really popular. On YouTube and Facebook some video and pictures of event/festival that makes a lot of comments about this brand.

Reino & Aino LH / PA

Some months ago, precisely in March, I interviewed Linda Huhtinen, the actual CEO of Reino's & Aino's company. During our meeting she answered at my ten question in this way:

Environment

1. Thank you for participating in my study. Can you tell me who you are and what environmental factors, internal and external, have a greater impact on company results and which of these key considered in the decision to adopt digital strategies?

"I am Linda Huhtinen. I am CEO of Reino's & Aino's company which is a company based in Tampere (Finland). Our company was manufactured for more than 75 years ago in Tampere and today they are more popular than ever. In a brand survey, REINO Home Shoes were valued to be the 54th most popular brand of over 1000 brands in Finland. There are models for both men (the REINO Home Shoes) and women (the AINO Home Shoes). We are a small company (20 employees with an annual turnover of 6-7 million euros) if we compare to the others enterprises".

"Concerning to the environmental factors the most important thing is that we can cut a lot of costs (for example it is more easy to sell online than have 3-4 others shops). Secondly it might be trends that we have here in Finland in our customer behavior. Customers value domestic work and our products are handmade here in Tampere. In our digital strategy we highlight these things and the results that we are having are a great succes abroad".

Technology adoption

2. What are the levers, if any, that led you to adopt digital strategies and tools in your business?

“There are several aspects, but one the most important is that thanks to digital we can see/follow the relations that our customers have with our products. This is really important for the company because give us the possibility to know how their opinions, needs will be converts into sales. We use social media, YouTube / Facebook / Instagram and thanks to them we have big communities, such as fan groups. We have customer-letters and different ways to meet our customers and fans”.

3. What tactical and strategic outcomes are achieved through the adoption of digital technologies?

“By using digital marketing we can get closer to our customers. We can find out what they are interested of and what they actually want to buy. We can make our customers to be part of our designer team and make products that our customers have designed (we offer a possibility to personalize the slippers and this changed a lot our reputation; before the era of digitalization, our clients can or cannot like our products). In our webstore our customers can design their own shoes and that is one of our most valuable products”.

4. How do you think digital will help to create value in your business?

“The company is closer to the actual customers and let us communicate with them. We believe in our customers and on the ways that they

can see our products, but obviously thanks to the digital we are having visibility and a big chance to compete with competitors because in our vision we will not open a big shop like the most important brands have in the principal streets of a big city”.

Marketing practices

5. What technologies/platforms are used and with what purpose / benefits?

“We use social media, new letters, pop-up shops and we have all kind of happenings (sports, music, movies etc.). Digital ways are most likely in social media and also with the e-mail/newsletters that we will send to our customers”.

6. Do you think that your business/marketing practices have changed as a result of the digital environment?

“Yes. By using the digital tools, we have grown our business and products. We have made our brand bigger and earthier. We use social media and digital service by telling stories that our customers have told us. We want to be close to the people and we are doing business with them and we want to build a brand that looks like our product: warm and nice”.

7. What are the measure of the digital activities? If so, how?

“We have different tools to see how our net store/social media/websites have worked – how many visits, customers, purchases have been made. We follow those numbers daily to see what campaigns have worked”.

8. What features does the individual who demonstrates a digital orientation?

“Digital technology is achieved by the opportunity to bring the company closer to the customer, to provide more services to advertise at a lower cost, increase brand awareness and to assemble functional online shops”.

9. Which digital future development think may be there in your company?

“Our company has the potential to develop the digital time. A new age brings a variety of ways to be in contact with the customer and the needs of the customers. A big step has already been taken, providing guests with the opportunity to design its own products”.

“Our company used digitalising to tell our story, advertising, directing the production with our customers and we have had our online shop for quite long now. However, like all the company, in the new era based on e-commerce it is really important the digital marketing for our slippers. We have produced many records as well. We have been working very active with the largest re-seller for several years. We make Reino-shoes for them to our factory’s storage, based on our own predictions. Predictions are based on sales we have made, budgets and our knowledge about the industry”. (Linda, Interview).

Concerning in what Linda told me during the interview, it is possible to analyze the network of the Reino & Aino phenomenon, a broad understanding of what kind of actors are involved is needed.

Figure 8. A graphical illustration of the network, the central parties of which are delineated in bold font.



Figure 8 (internal material)

Consumers and their communities

Perhaps the most interesting actors of the phenomenon are the active consumers and consumer communities around Reino & Aino. Consumer activities in spreading the phenomenon include giving the slippers as gifts and using them to symbolize some group or community, which oftentimes means purchasing slippers for everyone in that community. Most of the consumer groups that belong within the Reino & Aino phenomenon are closed in the sense that their members are part of an existing community, like a neighborhood or a circle of friends, a village or a workplace. Thus, unlike a brand community that is formed around the brand, whether it is Harley Davidson or Apple, the consumer communities that have adopted Reino & Aino have not been created from scratch. Instead, they are previously existing communities or groups that just adopt the slipper as their symbol to further emphasize mutual belongingness. There are multiple consumer communities and sub-groups loosely connected with the Reino slipper, cultivating and nurturing the Reino ideology all in their own way, within the community, whether it is based on a common interest, hobby, or place of living.

Some of the consumers used the nationality repertoire especially as they talked about the potential of Reino & Aino to be sold outside the home country and whether foreigners could understand them similarly as Finnish people. Linda remembered that a popular Finnish tv person presented the slippers to people in France and they were like:

“I would never ever wear those on my feet. So I guess it’s partly such a Finnish thing, to wear them. I thought it’s fun that it would be marketed to foreign countries as a Finnish thing, but I was not sure whether they

would understand it. They might look just like grandpa and grandma slippers to all foreigners”. (Linda, interview)

Finnish people have a tendency to understate our culture in comparison with old European cultures, for instance. That repertoire shows especially in the comments of Reino & Aino being something tacky and tasteless for the fashionable French, for instance. However, within the borders of our own country, consumers think that emphasizing the Finnish aspect of Reino & Aino is a good idea.

Table 4. Reino & Aino ethical decision of production: Locality, Nationality and Internationality (internal material).

LOCALITY, NATIONALITY AND INTERNATIONALITY		
Core meanings	Consumer strategies of action	Network strategies of action
Finnish quality Finnish culture & history Underestimating our culture Touristic attraction Legitimate Finnish symbol	<i>Belonging in a nation</i> * buying and using Finnish products * perceived as a symbol for Finland	<i>Symbolizing locality</i> * something of our own * national footwear
	<i>Negotiating export status</i> * self-degrading attitude * perceiving as hillbilly	<i>Helping to market small localities</i> * promoting tourism
	<i>Giving as gift to embody Finland</i> * representative product of Finland	<i>Appealing to national consciousness</i> * core Finnish activities * legitimization by the museum

This table summarize the repertoire of ethics and responsibility that is connected with the locality, nationality and internationality repertoire in terms of the company’s ethical decision to manufacture the slippers in the

home country. The decision to move the production back to Finland was made by the starting entrepreneurs in 2004.

Finally, my third question was a personal point of view about the importance of Mikko Närhi's book, because I thought that it was the beginning of the digital revolution of the company, and she answered:

“Mikko Närhi, a writer from Tampere made a book about stories and memories about Reinos from our customer's point of view. However, also if people knows our product, after his book we saw an indirect increase of slippers's demand (thanks to his researches). In ten years we had a lot of rennovations in our firm and if before we were a little bit traditionalists with the production (I mean standard slippers) since some years we put in our website an option, where you can style your own Reino-shoes. So, Närhi's role it was really important for our development also if Reino's have a long relationship with their users. (Linda, interview)

Another common repertoire on which Finnish people draw when they are talking about nationality is the Finnish war history, and this is also part of the Reino & Aino phenomenon. More less one year ago Linda was walking around Tampere when she saw a middle-aged woman buy Ainos's slippers and she decided to ask her why she likes this kind of slippers and the answer was:

“The traditionalistic aspect in Reinos is largely about respecting those people who wore them in re-building our country after the wars. They [the Reino & Aino slippers] are so Finnish, homely...countryside spirited, something from the fifties. I think that when the men came from war, many

had frozen feet and...and it was difficult for them to wear any shoes, I suppose the Reinos were good. (Linda, interview, Field notes 2015)

For this latter interviewee, a woman of 60 years, rediscovering her identity as a Finnish person had happened quite late in her life, but wearing Reinos could be interpreted as part of it.

The case of Gergo (Italy)

Figure 9. Gergo's production.



Gergo's history

The history of the Italian team, made up the significant portrait of a brand linked artisanship and Italian excellence. Over the years they have kept intact all the most valuable features of the real Made in Italy: quality, love of detail and processing strictly handmade. Key elements that made Gergo famous worldwide.

In 1936 was born Vittorio Spernanzoni. In the postwar years he began working in small workshops as a shoemaker.

In 1965, in a small workshop in Morrovalle (Mc), Vittorio decided to set up an entirely handmade shoe workshop, giving rise to the brand Vittorio Spernanzoni. The first ten years were crucial to the company's growth: the number of orders continued to increase, following the economic development after the war. The brand Vittorio Spernanzoni begins to be marketed throughout Italy and exported to Europe with great success by consumers.

In the nineties the continuous improvement, the passion and knowledge of their profession allow the company to establish itself as one of the best workshops in the world. By virtue of this Vittorio Spernanzoni become partner of some of the best known brands in international fashion.

Precisely in the nineties was born the new **Gergo** brand. Constant research of materials, the care of the various processing steps and even attention to a style that ranges from the most traditional and elegant up to sporty, give to the brand a unique style craft tradition.

The first years of the millennium Video great changes from corporate environment point of view. Vittorio before he died (2001) gave his knowledge and passion to his sons, Lorella, Henry and Roby. The attention

from the foreign market pushes the company into a new growth path. The careful craftsmanship and the typical identity of the made in Italy, leading to the opening of three new single brand stores: Milan, Rome and Moscow.

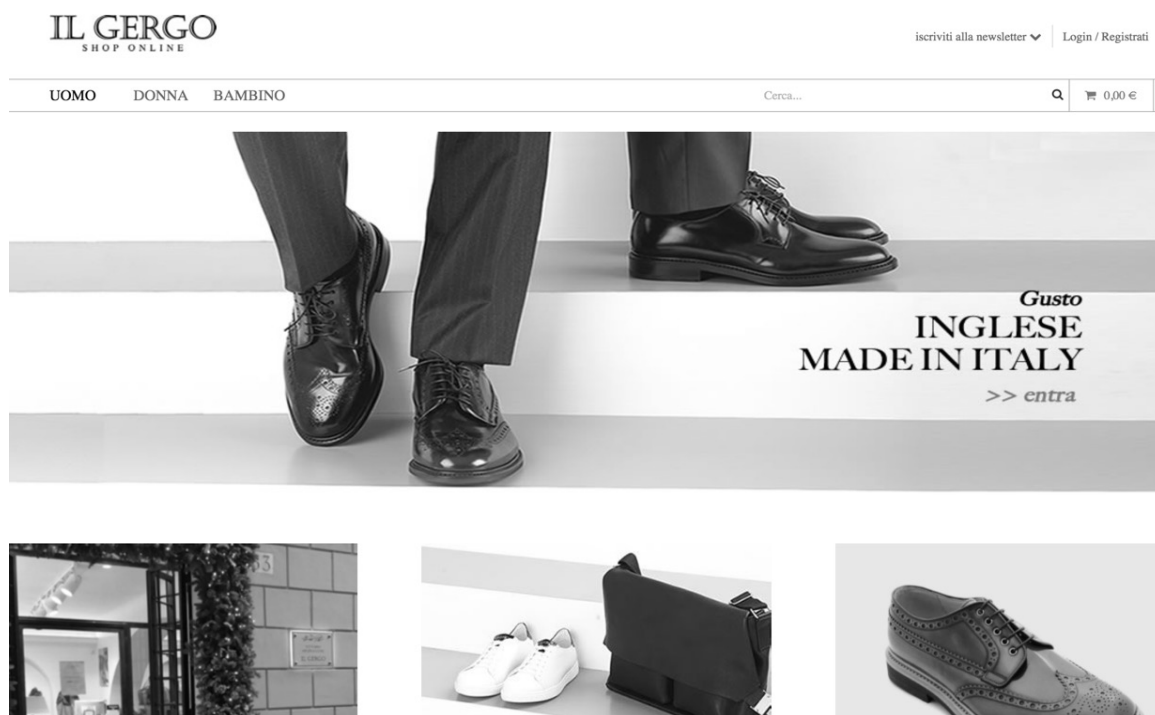
Finally, in 2015 the company celebrates its first fifty years, giving rise to a veritable school of hand-made shoes, a training project for young people who transmit the art of making handmade shoes, made in Italy.

Also in this case before to build my personal interview, I commenced from the analysis of the web page of Gergo's company.

Gergo

Social media are really well linked between them. On Facebook, Twitter, Pinterest, Instagram and YouTube it is possible to publish picture and video and catch the attention of the followers that like to dress like this.

Figure 10. Gergo's virtual shop.





STORIA

La nostra storia compone il ritratto significativo di un marchio legato all'artigianalità e all'eccellenza italiana. Nel corso degli anni si sono mantenute intatte tutte le caratteristiche più preziose del vero Made in Italy: qualità, passione per i dettagli e lavorazione rigorosamente fatta a mano. Elementi chiave che hanno reso celebre il marchio Il Gergo in tutto il mondo.

[scopri](#)



ICONE

Un'autentica icona è definita dalla rilevanza che mantiene nel corso del tempo. Negli anni novanta, Il Gergo ha presentato Director, lo storico modello derby nato nell'800 tra l'Irlanda e la Scozia conosciuto come blücher. Le Derby prendono il nome dal generale prussiano, Gebhard Leberecht von Blücher, che le volle per il suo esercito. In seguito, le armate di tutta Europa le indossarono, e le Derby andarono di moda nel 1850 come scarpe sportive da uomo.

[scopri](#)



PRODUZIONE

Un paio di scarpe Goodyear Welted Il Gergo sono sinonimo di stile, eleganza e comfort. La lavorazione, Goodyear, rigorosamente fatta a mano, richiede 216 diverse fasi di produzione impiegando circa 8 settimane di tempo per la realizzazione di un paio. La tomaia e il sottopiede sono cuciti insieme inserendo una striscia di cuoio, chiamata guardolo. Al guardolo viene in seguito cucita la suola. Nel vuoto che si crea tra sottopiede e suola viene collocata un'intersuola riempita da sughero.

[scopri](#)

IL GERGO
SHOP ONLINE

Nel 1965 prende il via, a opera di Vittorio Speranzoni, originario di Morrovalle, la produzione delle calzature di alta qualità che dal 1997 sono commercializzate con il marchio Il Gergo.



[Azienda](#)

[Servizio Clienti](#)

[Termini e condizioni](#)

[Privacy](#)

[Contatti](#)

As it is possible to see in these two photo, the main page offers different possibilities to analyse the company and their products. Their target it is clear and it is not for all people. The important thing it is underline the Made in Italy; before they produced for big companies, but thanks to the digitalization they decided to create a kind of “boutique” because they really believe in their brand.

In opposite of Reino's and Aino (as I said before the web page it is lower level of quality than Gergo) here before to discover the final price you have to open different pages; in a Marketing strategy it is a good point to try to catch the attention and then hope that the consumer likes the product also if the price is higher than the expectations.

Discussion

Figure 11. Reino's & Aino's virtual shop.



This picture is on the main page of Reino's and Aino's company; if I compare with the Gergo's company, the first thing that it is possible to see is the style of presentation of the company and the products that they are selling. In Reino's & Aino's web page there is no introduction, no history and no style; just promoting directly their product.

About Gergo, in their virtual online shop (as it possible to see in the previous pictures), they built it very well; also in this case the page it is really user friendly and the first thing that catch attention is the luxury style that they used to build their online shop. Their digital strategy is clear: it is

concentrated on luxury. It is possible to understand this because they are much showy with the product that are trying to sell.

Gergo FC / PA

When I came back from Finland, precisely in June, I interviewed Francesco Carpineti, the actual Marketing Manager of Gergo's company. Like in the previous case of study (Reino & Aino) I asked the same questions because my final scope is to see and describe the effect of the Digital revolution that had on these two enterprises. During our meeting he answered at my ten questions in this way:

Environment

1. Thank you for participating in my study. Can you tell me who you are and what environmental factors, internal and external, have a greater impact on company results and which of these key considered in the decision to adopt digital strategies?

"I work for Speranzoni Srl, which is a company that received an award, last year, for digital excellence – as part of a scheme organised by Google for Italian companies. Our company boasts almost 50 years' experience in the production of men's shoes. We are fairly small company (30 employees with an annual turnover of 3 million euros) in comparison to the others enterprises.

However, we were among the first companies to adopt digital tools, as our first investment in web-based tools dates back to 2000. Our shoes are high-quality products, machine aided and hand-finished by our

master artisans. We export to foreign countries and also have an online shop which is extremely successful and rewarding and which generates more sales than a physical shop. It was our awareness that a virtual shop has great advantages”.

“Concerning to the environment factors, first of all, there is no rent and no staff to pay. Secondly, it reaches all the people in the world at any time. This is in line with changing market trends. In particular, in recent years with the crisis in Italy, the internet has been a major device for targeting overseas markets, and has been extremely useful in making new contacts, establishing new partnerships and marketing our products”.

Technology adoption

2. What are the drivers, if any, for you to adopt digital strategies and or tools in your business?

“One of the most important aspects of digital practices is that you can choose on the basis of viewings, visits and, most importantly, on how these convert into sales. We can tell which sales came from online purchases, mail marketing campaigns or Facebook adverts”.

3. What outcomes does your business achieve by adopting digital technologies?

“Exploring new markets, attracting new consumers, increasing sales and, last but not least, end-of-range clearance, thereby optimising our production costs”.

4. How does digital create value in your business?

“It creates opportunities for us: for a small company like ours it wouldn’t be impossible to have a shop next door to Prada in the centre of Milan. However, with the right digital tools, we can still be visible and competitive on the web. Therefore, the small size of a company is not in any way hindered in the digital environment, both in terms of presence and in terms of distances. Moreover, we are able to attract new consumers who did not know about us before”.

Marketing practices

5. What technologies/platforms are used and for what purposes/benefits?

“We have adopted the CMS because they have totally revolutionised consumer-purchasing experience allowing you to filter items, create user profiles and manage the content of the manufacturing company with more product information. These software platforms are custom-made for us and we have an external agency that assists us in the process of maintaining and optimising systems throughout the year. With user profiles we are able to target specific clients, i.e. a top client who spends 5000 euros per year and is a size 38. I can then send promotional information specific to that person. All these are analytics tools which allow us to trace where a visit that led to a sale originated from”.

“We are also developing a mini intranet site. As mentioned before, our main goal is currently to develop the content. Next month we’ll launch a school for hand-made shoes which is a three-month free training course for five young trainees and we’ll use a very versatile platform to post content

and increase our visibility. In this way we add value to our products by showing who we are and what we do and investing in digital tools is a way to increase our credibility within the internet community”.

“We are aiming to increase awareness about what we can do by highlighting our strong points and to use the web as a tool because it is also cost effective if you know how to manage it. Nowadays, uploading on YouTube or posting on an intranet site can be done by anyone”.

6. What benefits can you get from blogs and social media?

“Mainly the interaction with our consumers. We were extremely surprised two years ago after we posted a couple of tutorials on YouTube on how to make hand-made shoes. We had so many unexpected visits from abroad which resulted in new contacts, new clients and new sales. This confirms that by highlighting our uniqueness we increase our visibility. So, while this is a slower process compared to an online advert it is worth investing in these digital media”.

7. Do you measure digital activities and if so how?

“Unlike an advert in a magazine, which does not tell us how many people have purchased our product as a result, digital tools allow us to know how many visits we have had and how many users have become customers and this also affects our current and future strategy. We use all this information to make ongoing adjustments to our future levels of production, adjustments to our products but also to distribution and logistics as well as marketing activities in general”.

8. What do you think are the characteristics of someone with a digital orientation?

“It is important for this person to possess skills in terms of graphics, virtual content, and innovative technologies”.

9. What do you see as the future digital development for your company?

“In the same way as we were able to create a graphic to help our clients choose the right shoe size, future technologies will expand and what seems to us unimaginable now will become possible in the future”.

Finally, after the interview it is possible to build the previous scheme for both companies: **The Digital Marketing Orientation**. Clearly the role of marketing has considerably changed; in my research thesis I have analyzed the concept of the digital revolution and the two case studies demonstrate the transition from traditional Marketing to digital Marketing.

There has been an inside-out transition to a outside-in and especially it is important to keep in mind three fundamental elements:

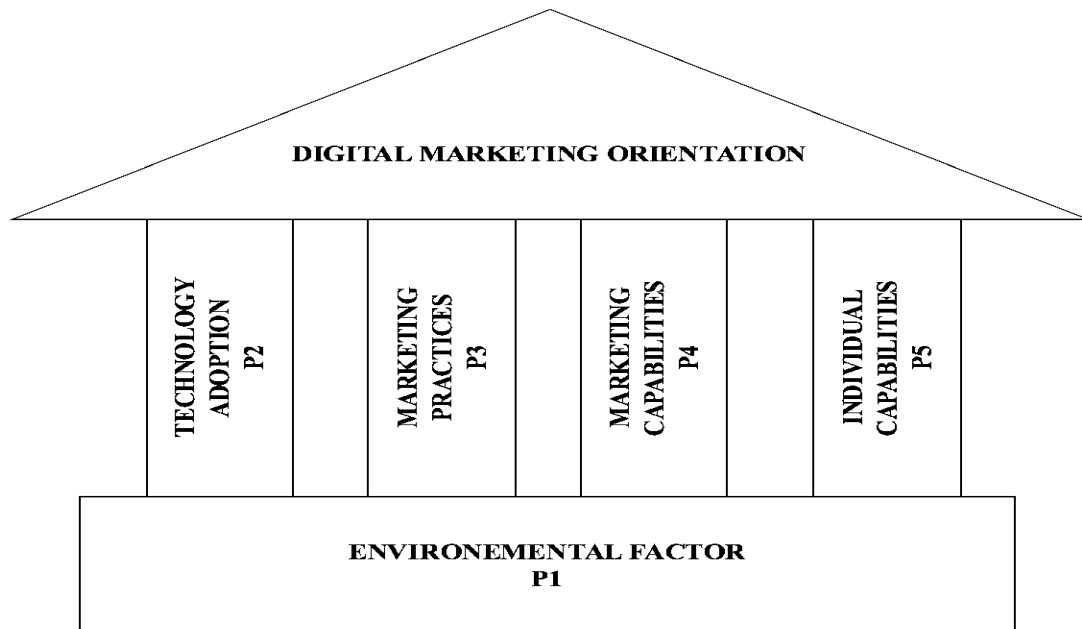
- Engage consumers;
- Create unique shopping experiences;
- Create value and satisfy the expectations.

Digital market orientation is the deliberate strategic positioning of a SME to take advantage of the opportunities presented by digital technologies. Digital strategy is fused with business strategy and requires attitudes

and behaviours that support the generation and use of market insight, proactive innovation, and openness to new ideas.

I will discuss the findings of my empirical research and with this structure it will be clear how the Digital revolution had an important effect of that enterprises; so, it is possible to see the differences and understand how the two companies are changed from the past.

Figure 12. Reino & Aino DMO.



P1: Digital Orientation in SMES is driven by coercive, mimetic and normative pressures. Environmental factor:

- Cut cost;
- Overture of new markets;

- Growth of the company (before just selling in Finland for example on Christmas, on Father's day, on Mother's day);

P2: Digital Orientation in SMEs is driven by a positive appraisal of the value created, internally, by the adoption of digital technologies, given the perceived risks. Technology adoption:

- They are using social media, new letters, pop-up shops and they have all kind of happenings (sports, music, movies etc.);
- Digital ways are most likely in social media and also with the e-mail/newsletters that they will send to their customers;
- In Reino's & Aino's company the digital technology is achieved by the opportunity to bring the company closer to the customer, to provide more services to advertise at a lower cost, increase brand awareness and to assemble functional online shops.

P3: Digital Orientation in SMEs depends on the effective integration of marketing and non-marketing functions in the organisation. Marketing practices:

- YouTube / Facebook / Instagram and thanks to them they have big communities, such as fan groups that are actually made by four product fans, not by us;
- They have customer-letters and different ways to meet their customers and fans.

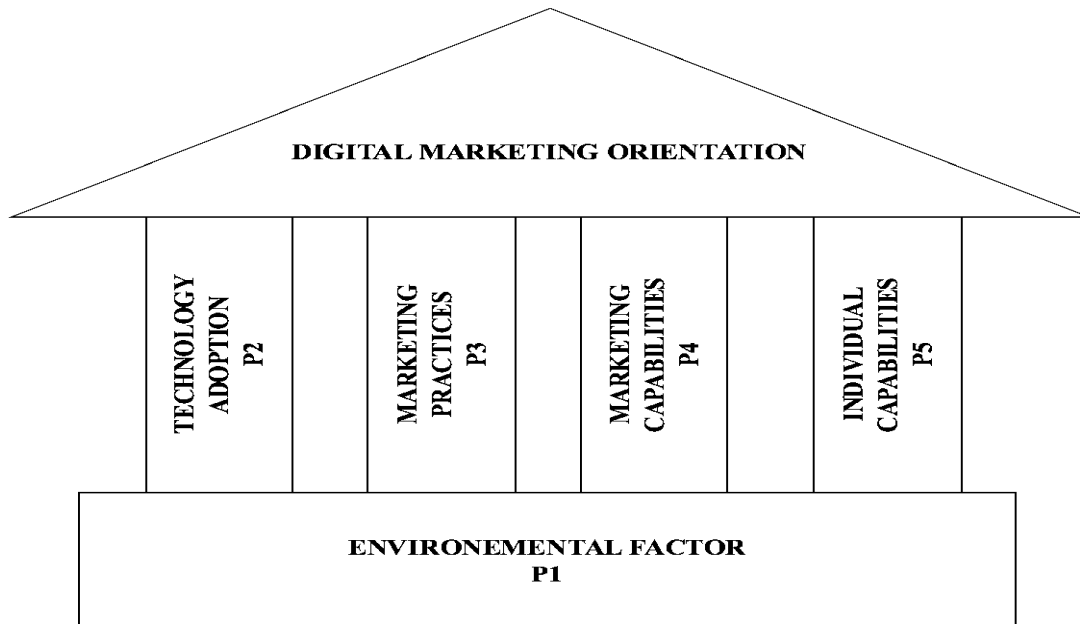
P4: Digital Orientation in SMEs requires the presence of the organizational capabilities of vigilance, adaptive experimentation and open marketing. Marketing capabilities:

- The company is closer to the customers and let communicate with them. Their customers are the most valuable thing for the company, so they believe in them and on the ways that they can see Reino's & Aino's products;

P5: Digital Orientation in SMEs depends on individual characteristics of the owner manage in terms of IT knowledge, perceived benefits, and attitudes; Individual capabilities:

- Need to listen and collaborate with multistakeholders;
- Follow and interact with customers;
- Opening a new digital revolution; investment on digital;
- Assume a person who follows all the digital contents in the company;
- Create an own digital network;

Figure 13. Gergo's DMO.



P1: Environmental factor:

- No rent and no staff to pay;
- Connect all the people in the world at any time;
- Internet offer a possibility to find new contacts, establishing new partnerships and marketing our products (especially now in Italy with the crisis);
- Digital facilitates processes because information is communicated in a different way; everything happens much faster than before.

P2: Technology adoption:

- Easy way of communications;

- By social media Gergo's company tried to monitor what their competitors do, in particular their new selling strategies;
- They are using YouTube / Facebook / Instagram / Pinterest and Twitter.

P3: Marketing practices:

- Adoption of CMS⁶ to filter items, create user profiles and manage the content of the manufacturing company with more product information. They are able to target specific clients (for example a top client who spends 5000 euros per year and is a size 38) and they can send promotional information specific to that person;
- Develop of a mini intranet site because in this way they add value to their products by showing who they are and what they do and investing in digital tools is a way to increase their credibility within the internet community;
- Choose on the basis of viewings, visits and, most importantly, on how these convert into sales.

P4: Marketing Capabilities:

- Highlighting their uniqueness, they increase their visibility (they posted a couple of tutorials on YouTube on how to

⁶ In computing a content management system (CMS) acronym is a software tool, which is installed on a web server, whose job is to facilitate content management of websites, freeing the webmaster by technical knowledge Web programming specifications.

make hand-made shoes and they had so many unexpected visits from abroad which resulted in new contacts, new clients and new sales);

- Digital tools allow the company to know how many visits they have had and how many users have become customers;
- They use all this information to make ongoing adjustments to our future levels of production, adjustments to their products but also to distribution and logistics as well as marketing activities in general.

P5: Individual capabilities:

- Study the market;
- Interact with consumers;
- Increase the content on their social media by employing an external person who will take responsibility for their digital marketing;
- Training; it is important for this person to possess skills in terms of graphics, virtual content, and innovative technologies.

CHAPTER IV

Conclusion

4.1 The impact of Digital revolution on life

So many changes came about in such a short time that we couldn't even really understand what happened to us. Technological advancement has been having great impact of buying behavior and purchase patterns of consumers. Internet and social networking websites are important tool for marketing contemporary organizations. A successful marketing strategy in modern world organizations, need to consider important factors such as high technology products, cultural backgrounds of target consumers and demographics of target consumers as well. Many choices being made now will be costly or difficult to modify in the future.

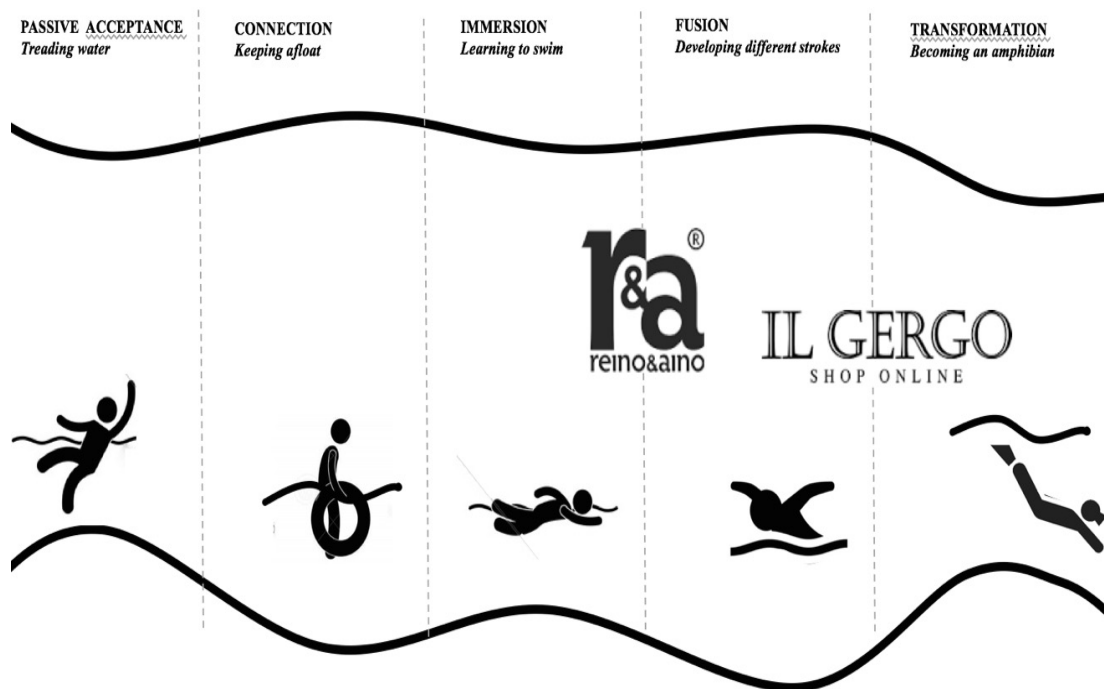
This thesis argued the power of the network to rework the rich cultural repertoires emerging around the product was what helped Reino & Aino and Gergo to become what they are today. The thesis will provide the basis for this argument by studying the phenomenon analytically through identifying the network actors, cultural repertoires and strategies of action.

In my work, I have contributed to understand the technological adoption in different ways. First I have discussed the overarching notion of a digital orientation/revolution. Second, I have analyzed the impact of the revolution on the environment, people, culture. Third, I have chosen in accordance with my teachers, two firms to study in more depth (through field interviews) the effect of the digital transition. Finally, using the learning to

swim metaphor I have developed insight into the different stages that comprise achieving a digital orientation and how that translates into two SME practices within the complexity of the environment.

The two firms are in a different position because, as I said before in the analysis, the Finnish one doesn't have a real person that focuses on their digital strategy; so, no forecasting to move to the best level (transformation). Gergo have had the power to believe on the net strategy and today their strength resides in the virtual online shop; for this reason, I decided to position the company at the top of the level.

Figure 14. The stages of learning to swim in the digital river



The metaphor of learning to swim is used to describe the progression towards being able to manage in this aqueous, fluid environment. Initially one is partially submerged in the environment and treading water to

survive, then one may keep afloat through the use of buoyancy aids. Learning to swim is the next stage of the process where a conscious decision and effort is made. Proficiency in different relevant strokes can then be achieved, and finally one can become at one in the water, almost amphibian and absorbed into the environment, thereby achieving a digital orientation.

In the next table I decided to summarize all the concepts that are in the previous picture to understand better all the steps.

Table 4. Summary of key responses.

Digital adoption stage	Criteria for stage	Summary of key responses
1. Passive Acceptance	External environmental regulation, imitation, no foundation plans, limited digital activity.	Regulatory requirements, imitation of competitors, customer pressure, No long term view, aim to maintain status quo, process efficiency, time and cost risk, no explicit budget for digital, No metrics, fear of change by staff.
2. Connection	Automated systems, process focused, software driven, collaborative work, informal planning, recognition of external threats,	Investment in Cloud, e-commerce systems, internal comms systems eg. Yammer and face to face meetings, ad hoc social media use, awareness of need to catch up with competitors in sector, spend on Google Adwords, employee training required, use of external specialists, no strategic measurement but some ad hoc, digital aids efficiency and control, recognition of customer behaviour change,

3. Immersion	Growing interdependence of IT and human actors, internal communications to assist digital plan implementation, start of cultural shift, digital supports strategy	Integration of third party systems into own system of working, testing what works digitally across functions and implementation including some measurement, Google analytics, using digital to add value to customer experience, digital IT enables employees flexible work locations, questioning previous strategies, open minded to possibilities, belief through the company,
4. Fusion	Multi-media to meet business objectives, real time data, embedded change, digital as preferred mindset of leader, integration	Seamless use of multi-media linked to measurement tools, speed of data offers flexibility in decision making, internationalisation possible, behaviour and attitude of leader critical, active requesting of feedback
5. Transformation	Positive disruption to business model, innovation, increased competitiveness, experimentation across business	Desire to be viewed as leader and example of best practice, risk mitigation process, openness from top of firm to innovate

Limitations of the study and suggestions for future research

While my thesis has contributed to understand the digital revolution into the society, culture, environment and finally into two SME, the limitations should be recognised. The purpose of this thesis was to conduct an exploratory analysis of the digital revolution on a socio-economic environment in which there is a community of people; subsequently, through two

cases of study, I have shown the effect of this digital adoption on the two companies (one in Finland and one in Italy).

I decided to analyze these two companies because they belong to the same industry allowing a comparative analysis. They intend to represent a typical European SME. The data collected were not cross sectional, focusing on one industry only, and therefore future research could investigate other sectors in order to validate my findings. In addition, single qualitative interviews formed the base of the data collection.

While important aspects of this research could be transferred, and have relevance for other sectors, a case study research project limits the generalizability of the results. This holistic approach to investigating the digital orientation of SMEs could be extended with a more regional focus such as Eastern European emerging country SMEs.

In conclusion it can be said that the economic, financial, institutional and administrative are certainly fundamental in giving an explanation for the different modulated digital phenomenon and I can say that the digital revolution has made several changes in the systems of everyday life; by studying companies such as Reino & Aino and Gergo, it was possible to find a common element, which is that thanks to the transition to digital the internal and external management of the company has improved.

Welcome to the digital world!!

References

- Arnould, E.J. & Thompson, C. 2005. Consumer culture theory (CCT): Twenty years of research. *Journal of Consumer Research*, 31 (4), 868–882.
- Arnold, S.J. & Fischer, E. 1994. Hermeneutics and consumer research. *Journal of Consumer Research*, 21 (1), 55–70.
- Ashurst, c., Cragg, P., & Herring, P. (2012). The role of IT competencies in gaining value from e-business: An SME case study. *International Journal of Small Business*, 24(1), 83-99.
- Cova, B. & Dallı, D. 2009. Working consumers: The next step in marketing theory? *Marketing Theory*, 9 (3), 315–339.
- Gummesson, E. 2008c. *Total relationship marketing*. Oxford: Elsevier.
- Gummesson, E. & Polese, F. 2009. B2B is not an island. *Journal of Business and Industrial Marketing*, 24 (5–6), 337–350.
- Hirunyawipada & Paswan, 2006; Consumer Innovativeness and Perceived Risk: Implications for High Technology Product Adoption. *Journal of Consumer Marketing*.
- McCracken, G. 2005. *Culture and consumption: Markets, meaning and brand management*. Bloomington: Indiana University Press.
- Moisander, J. & Valtonen, A. 2006. *Qualitative marketing research: A cultural approach*. London: Sage.

- Närhi, M. (Ed.) 2007. Reino: Lämpimiä jalkoja ja ajatuksia (Reino book). Tampere: Tammerpaino.
- Yin, RK (2013). ricerca Caso studio: Progettazione e metodi. Thousand Oaks, CA: Sage pubblicazioni.
- Pera, R., Quinton, S. Ana Isabel Canhoto A.I., Budhathoki, T., Molinillo, S. (under revision). Digitalisation of European SMEs: learning to swim in the digital river. International Journal of Small Business.
- Perretti, 2011. Marketing Digitale. Scenari, strategie, strumenti, 98.
- Peltier, J. W., Zhao, Y., & Schibrowsky, J. A. (2012). Technology adoption by small businesses: an exploratory study of the interrelationships of owner and environmental factors. International Small Business Journal, 30(4), 406-431.
- Peter L. Shillingsburg, 2006. From Gutenberg to Google book.
- Sherry, J.F. 1991. Postmodern alternatives: The interpretive turn in consumer research. In Kassarian, H. & Robertson, T. (eds.) Handbook of consumer theory and research. Englewood Cliffs, NJ: Prentice Hall, 548–591.

Website

<http://www.internetlivestats.com/internet-users/>

<http://recode.net/2014/12/31/smart-cities-and-the-urban-digital-revolution/>

<https://www.techopedia.com/definition/23371/digital-revolution>

<http://www.mediavisioninteractive.com/blog/social-media/how-digital-is-changing-consumer-behaviour/>

<http://www.globalization101.org/uploads/File/Technology/tech.pdf>

<http://voxeu.org/article/how-digital-revolution-reshaping-global-workforce>